

Message Text

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ACTION ARA-10

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

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COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

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PA-02 PRS-01 USIE-00 /101 W
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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 6523

INFO AMEMBASSY GEORGETOWN

AMEMBASSY PORT OF SPAIN

AMEMBASSY PORT AU PRINCE

AMEMBASSY SANTO DOMINGO

AMCONSUL PARAMARIBO

AMEMBASSY TOKYO

UNCLAS SECTION 1 OF 2 KINGSTON 4565/1

EO 11652: N/A

TAGS: EMIN, EINV, JM

SUBJECT: GOJ BAUXITE AGREEMENT WITH REVERE

1. FOLLOWING IS TEXT OF PRIME MINISTER MANLEY'S
ANNOUNCEMENT MORNING DECEMBER 20 OF GOJ BAUXITE
AGREEMENT WITH REVERE:

QUOTE

THE GOVERNMENT OF JAMAICA AND REVERE JANAMICA ALUMINA LTD.
HAVE TODAY ENTERED INTO AN AGREEMENT THAT IT WILL VEST IN THE GOVERN-
MENT OF JAMAICA THE RIGHT TO ESTABLISH A LOCALLY CONTROLLED
MINING COMPANY AND THE OPTION TO PARTICIPATE IN A MAJOR ALUMINA
EXPANSION PROGRAMME. IN MAKING THIS
ANNOUNCEMENT, I WOULD LIKE TO EXPRESS MY PLEASURE AT THE FACT
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THAT THE REVERE COMPANY AND THE GOVERNMENT HAVE BEEN ABLE

TO ARRIVE AT MUTUALLY ACCEPTABLE AGREEMENT AND, AS SUCH, HAVE ESTABLISHED ANOTHER MILESTONE IN THE DEVELOPMENT OF OUR BAUXITE AND ALUMINA INDUSTRY. IT IS A MILESTONE THHAT IS IMPORTANT IN THAT, NOT ONLY DOES IT FURTHER ENHANCE OUR POSITION IN THIS INDUSTRY, BUT EMPHASIZES THE POINT I MADE EARLIER THIS YEAR, THAT WITHIN THE PRINCIPLES ESTABLISHED, WE WOULD WORK OUT INDIVIDUAL CONTRACTS WITH EACH COMPANY, APPROPRIATE TO EACH PARTICULAR SITUATION. I AM ALSO PLEASED TO WELCOME THE JAPANESE CONSORTIUM TAKING PART IN THIS VENTURE. THIS IS THE FIRST MAJOR JAPANESE INVESTMENT IN OUR BAUXITE INDUSTRY.

THE HIGHLIGHTS OF THE AGREEMENT ARE:-

(1) EXPANSION OF ALUMINA PLANT

(I) THE REVERE PLANT IS TO BE EXPANDED FROM 230,000 TONS CAPACITY AT PRESENT BY 341,000 TONS TO A NEW LEVEL OF 571,000 TONS PER ANNUM

(II) THE REVERE COMPANY WILL TAKE UP 117,000 TONS OF THIS EXPANSION AND THE REMAINING 224,000 TONS IS TO BE TAKEN UP BY A JAPANESE CONSORTIUM MADE UP OF SOME FIVE COMPANIES

(III) THE FINAL GO-AHEAD ON THIS EXPANSION WILL DEPEND ON A FINAL ECONOMIC FEASIBILITY STUDY. IT IS ANTICIPATED THAT THIS WILL BE COMPLETED AND A DECISION TAKEN WITHIN SIX MONTHS.

(2) MINING COMPANY

(I) THE GOVERNMENT HAS THE RIGHT TO ESTABLISH A SEPARATE MINING COMPANY, A MINIMUM OF 51 PERCENT TO BE OWNED BY THE GOVERNMENT OF JAMAICA, TO DO ALL THE MINING FOR THIS NEW COMPLEX.

(II) THE GOVERNMENT OF JAMAICA, THROUGH THIS COMPANY, WILL HAVE THE OPTION TO PURCHAESE THE EXISTING MINING EQUIPMENT AT WRITTEN DOWN BOOK VALUE AND HAVE TEN YEARS TO PAY FOR IT. THE OUTSTANDING BALANCE TO BE SUBJECT TO AN 8 1/2PERCENT PER ANNUM INTEREST CHARGE.

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(III) THE GOVERNMENT OF JAMAICA WILL BE GUARANTEED A 12 PERCENT RETURN ON THE ORIGINAL COST OF THE EQUIPMENT AND ON ANY NEW ADDITIONS

(IV) SHOULD THE GOVERNMENT OF JAMAICA DECIDE TO EXERCISE THIS RIGHT AS DESCRIBED IN THE ABOVE PARAGRAPHS, THEY WILL GIVE 12 MONTHS NOTICE, THIS BEING CONSIDERED THE TIME REQUIRED TO EFFECTIVELY SET UP SUCH A COMPANY

(V) AS IN THE KAISER SITUATION, REVERE WILL BE GIVEN A SEVEN YEAR MANAGEMENT CONTRACT, AND THERE WILL BE AN EXECUTIVE POLICY-MAKING COMMITTEE COMPRISED OF EQUAL REPRESENTATION FROM THE GOVERNMENT OF JAMAICA AND REVERE. NO MANAGEMENT FEES WILL BE PAID.

(3) JAMAICA OPTION

THE GOVERNMENT OF JAMAICA HAS ALSO ESTABLISHED THE RIGHT TO EXERCISE THE FOLLOWING OPTION:

(I) PROVIDED WE ARE SATISFIED WITH THE ECONOMIC FEASIBILITY STUDY RESULTS, AND CERTAIN OTHER MARKET CONDITIONS PERTAIN, WE HAVE THE OPTION TO TAKE UP AN ADDITIONAL 250,000 TONS PER ANNUM OF ALUMINA PRODUCTION.
GERARD

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INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

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(4) LANDS

(I) ALL LAND NOW OWNED BY REVERE WILL BE PURCHASED BY THE GOVERNMENT OF JAMAICA AT WRITTEN DOWN BOOK VALUE AND WILL BE PAID FOR IN TEN EQUAL ANNUAL INSTALLMENTS BEARING INTEREST AT 7 PERCENT PER ANNUM

(II) LAND EITHER UNDER USE, OR RESERVED FOR USE BY THE COMPLEX WILL BE RENTED FROM THE GOVERNMENT OF JAMAICA ON TWO BASES. FOR THE LAND PURCHASED BACK FROM REVERE, THIS WILL BE RENTED AT A RATE OF 7 PERCENT OF COST PRICE PER ANNUM. IN THE CASE OF OTHER LANDS, THE RATE WILL BE EQUIVALENT TO CURRENT GOVERNMENT BORROWING LEVELS.

(5) PRODUCTION LEVY

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(I) REVERE WILL BE SUBJECT TO THE FULL PRODUCTION LEVY (TO BE ESTABLISHED AT 8 PERCENT FROM JANUARY 1, 1975).

(II) SHOULD REVERE AND HER PARTNERS ACCEPT THE FINDINGS OF THE FEASIBILITY STUDY, AND (A) MAKE THEIR FINAL DECISION FOR EXPANSION ON OR BEFORE 30TH JUNE, 1975; AND (B) BEGIN CONSTRUCTION BY 31ST DECEMBER 1975, THEY WILL BE ALLOWED A SPECIAL CONCESSION HAS BEEN MADE TO HELP REVERE EXPAND THEIR PLANT FROM WHAT IS NOW AN UNECONOMIC SIZE TO A FULLY VIABLE VENTURE. THIS CONCESSION, WHICH WILL COST JAMAICA APPROXIMATELY \$10,000,000 OVER THE FIVE YEAR PERIOD, WILL RESULT IN INCREASED REVENUES OF ABOUT \$10,000,000 PER ANNUM FROM 1979. THE VALUE OF THIS CONCESSION IS ALSO AN EXAMPLE OF OUR TAKING INTO CONSIDERATION THE SPECIAL PROBLEM OF SIZE FACED BY THE REVERE PLANT.

I WOULD ALSO LIKE TO STRESS THAT SHOULD REVERE FAIL TO MEET THE DEADLINES OUTLINED ABOVE, THE WILL FORFEIT THE REBATE.

(6) INVESTMENT

THE INVESTMENT BY REVERE AND THE JAPANESE CONSORTIUM WILL BE APPROXIMATELY US \$100 MILLION

(7) FOREIGN EXCHANGE

REVERE WILL BE REQUIRED TO DEPOSIT LOCALLY
THE EQUIVALENT OF ONE-THIRD OF 1 PERCENT OF
THEIR TOTAL PRODUCTION COSTS IN ADDITION
TO ALL THE FOREIGN FUNDS WHICH THEY NOW BEING IN TO
MEET NORMAL OPERATING EXPENSES INCLUDING
THE PRODUCTION LEVY

(8) HOUSING

REVERE HAS AGREED THAT THEY EXTEND THEIR BEST
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EFFORTS TO SECURE SPECIAL
FINANCING FOR AN EXTENSIVE EMPLOYEE HOUSING SCHEME.

IN CONCLUSION, I WOULD LIKE TO CONGRATULATE THE BAUXITE
NEGOTIATING TEAM HEADED BY ITS CHAIRMAN, MR
PAT ROUSSEAU. THEY HAVE AGAIN
DISPLAYED NOT ONLY GREAT SKILL IN THEIR
NEGOTIATIONS, BUT ALSO
HAVE CONTINUED TO WORK AT A GREAT PACE, AND WITH GREAT PERSONAL
SACRIFICE TO BRING THESE NEGOTIATIONS TO A SATISFACTORY
CONCLUSION

MAY I ALSO THANK THE REVERE TEAM FOR THEIR OWN PARTICIPATION
IN BRINGING ABOUT THIS AGREEMENT AND EXPRESS
THE WISH THAT THE PLANNED EXPANSION
WILL BE TO OUR MUTUAL BENEFIT. END QUOTE. GERARD

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